

~~TOP SECRET~~

WS121

48012

C O N T E N T S

HIGHLIGHTS.....	Page 1
KOREAN DEVELOPMENTS	
Military Prospects.....	2
Possible Soviet Moves.....	3
Soviet Military Intervention.....	3
Soviet Diplomatic Moves.....	4
Reconstruction Problems.....	5
STRAINS ON WESTERN UNITY	
Atlantic Defense.....	7
Turkey and NAT.....	8
West German Reaction.....	8
Arab-Israeli Tension.....	9
Iran Looks East.....	10
South African Defense.....	10
ASIAN PROBLEMS	
Over-all Soviet Policy.....	11
Chinese-Indian Relations.....	12
Struggle for Labor.....	12
LOCAL DEVELOPMENTS	
West German Politics.....	14
French Labor Discontent.....	15
British Steel Nationalization.....	16

22  
SEPT

119

Document No. 001  
NO CHANGE in Class. ☐  
☒ DECLASSIFIED  
Class. CHANGED TO: TS S C  
DDA Memo, 4 Apr 77  
Auth: DDA MEMO 77/1763  
Date: 25/1/78 By: 023

RETURN TO ARCHIVES & RECORDS CENTER  
IMMEDIATELY AFTER USE  
JOB 78-1617 BOX 24

~~TOP SECRET~~

ARCHIVAL RECORD  
PLEASE RETURN TO  
AGENCY ARCHIVES,

235021

STAT

~~TOP SECRET~~

## H I G H L I G H T S

The UN landing at Inchon brings appreciably nearer the time when Soviet and North Korean actions will reveal the extent to which the USSR will be willing to write off the Korean venture. With presently available forces, the North Koreans will be unable to hold South Korea; in that event, it is believed that the disadvantages, from the Soviet view, of employing Soviet or Chinese Communist troops to defend North Korea or attempting a diplomatic settlement will on balance be greater than those resulting from a continuation of the Kremlin's present "hands-off" policy (see page 2).

In its efforts to counter Soviet aggression, the non-Soviet world still shows signs of strain. European nations are apparently still not ready to reach firm agreement on a united European force or German remilitarization, nor are the US, UK, and France able to adopt a common policy on a number of key East-West issues (see page 7). Meanwhile, Israeli-Arab tension is mounting (see page 9), Iran appears to be on the verge of concluding trade negotiations with the USSR (see page 10), and South Africa is apparently determined to demand stiff concessions from the UK in return for offering one armored division for service outside Africa in the event of Soviet aggression (see page 10).

~~TOP SECRET~~

**TOP SECRET**

## KOREAN DEVELOPMENTS

The UN landing at Inchon, by rapidly changing the outlook of the campaign in South Korea, brings appreciably nearer the time when North Korea, as well as the USSR, must implement crucial political and military decisions regarding the ultimate fate of North Korea. With presently available forces, the North Koreans will be unable to hold South Korea; a choice of the four broad alternative courses of action available to the enemy, therefore, depends in the last analysis on the extent to which the USSR is willing to write off North Korean field forces or perhaps North Korea as a whole. These courses of action are: (1) North Korean military action aimed primarily at defending North Korea from invasion by UN forces, possibly combined with North Korean peace proposals; (2) commitment of Chinese Communist or Soviet troops north of the 38th Parallel; (3) an attempt by the USSR itself to settle the conflict diplomatically; or (4) efforts by some third party, perhaps under Soviet influence, to mediate the conflict.

**Military Prospects** Successful consolidation of the UN beachhead at Inchon and Seoul would effectively interdict the main route of supply for the estimated 120-130,000 North Korean troops engaged in southeastern Korea. Unless UN forces can be expelled from the Seoul area, organized resistance in the south cannot last long. It is estimated, however, that with the exception of 15-20,000 relatively ineffective security troops, all North Korean combat units have already been committed to the fighting in the southeast. Moreover, it is not believed that Korean reserves now being trained could undertake action against the Inchon beachhead soon enough to prevent the retreat, with heavy losses, of North Korean troops from the southeast. Militarily, then, the most probable course

- 2 -

**TOP SECRET**

**TOP SECRET**

of action by North Korean forces, and the one offering the best chance of success, would be the commitment of North Korean reserves to a defensive role and a simultaneous withdrawal of as many combat units as possible over secondary lines of communication from the southeast to defensive positions along the 38th Parallel.

**Soviet Plans** Given this probable military development, the USSR must soon: (1) refrain from intervening and rely on the North Korean forces to prevent their own military defeat by UN forces; (2) employ Chinese Communist or Soviet troops in North Korea; or (3) attempt to achieve a diplomatic settlement. The disadvantages to the Soviet Union of the two latter alternatives make the first the most likely Soviet course of action.

Both the commitment of non-Korean military units and a diplomatic solution negotiated by the Soviet Union itself, would force the USSR to disavow its previous stand regarding the Korean question. Since the invasion began, the USSR has made every effort to localize the conflict and to disassociate itself completely from the North Korean action as well as from the UN action. Military action at this time would clearly undermine this position, and even further weaken the current Soviet peace offensive, while Soviet diplomatic action would force the USSR to accept the legality of UN action. The USSR might, however, encourage the North Koreans or some third party to seek a settlement. In either event, the North Korean position would probably be so weak as to leave the terms of settlement largely in the hands of the UN.

**Global War** Soviet unwillingness to substantially increase the risk of global war and the Soviet appreciation that the employment of Soviet or Chinese Communist troops in Korea would represent such a risk are even more compelling

**TOP SECRET**

**TOP SECRET**

reasons for the USSR to refrain from military intervention, even at the expense of a Communist military defeat in North Korea. Faced with the prospect of UN air and naval harassment of lines of communication in North Korea, the USSR would probably not employ its troops or those of Communist China without providing them with substantial air cover. Inevitable conflict with UN aircraft might lead to a situation which the USSR might consider itself unable to control short of precipitating general war. Even if the USSR issued prior warning of such a move, it could not be assured that UN air forces would refrain from such attacks. Moreover, Soviet or Chinese Communist aid to the North Koreans would leave Chinese and Manchurian supply routes, and possibly industrial installations, open to air attack. The USSR would probably avoid risking damage to this segment of the Communist Far Eastern potential unless it intended to initiate general war in the immediate future.

**Diplomatic Action** Any Soviet offer of a negotiated settlement, in addition to requiring the USSR to abandon its position of refusing to accept the legality of the UN's position in Korea, would place the USSR in a very disadvantageous position. Such an offer would have to go beyond a pious call for a "peaceful settlement"; in view of the changed military situation, the USSR no longer has any trump cards. Its bargaining position is so weak that prospects for a settlement favorable to the USSR are extremely limited. The USSR might attempt to improve its bargaining position by threatening to reoccupy North Korea; such a threat, however, would entail the strong risk of being forced to carry it through. An unfavorable settlement in which the USSR had participated or which had been preceded by a military bluff would be more damaging to Soviet prestige than the consequences of a continuation of the present hands-off

- 4 -

**TOP SECRET**

**TOP SECRET**

policy. The Kremlin, therefore, is more likely to seek to thwart UN efforts through its usual tactics of obstructionism in the UN, coupled with guerrilla warfare, subversion, sabotage, and propaganda within Korea. Although the North Koreans either themselves or through a third party would also be at a disadvantage in seeking a diplomatic solution, if military developments make such an attempt advisable, neither they nor the USSR will be restrained by those considerations of prestige which would deter such action by the USSR alone.

**Reconstruction Problems** Following the collapse of the invaders' resistance in southern Korea, the victorious Republic will be faced immediately with a tremendous problem of economic reorganization. The dollar cost of reconstructing essential South Korean installations and facilities destroyed during the conflict will far exceed the total value of ECA aid received to date. Although reliable information is not yet available, it is known that South Korea's coal mines, power plants and power distribution facilities, textile mills, transportation facilities, communication facilities, and numerous small industrial establishments have been heavily damaged. The only bright spot in the picture is the over-all food situation. Although local shortages will develop in liberated areas such as Seoul and Inchon and imports will probably be required for immediate relief, chances of saving the autumn rice crop have improved considerably. Despite war damage, the 1950 crop is estimated to equal 1949's production.

In the event that reconstruction includes the area of Korea north of the 38th Parallel, the initial cost of rehabilitating the country as a whole would be much greater than that involved in South Korea alone. Because of the complementary nature of the economies of the two zones, however, the long-range cost of external assistance necessary to develop a viable Korean

- 5 -

**TOP SECRET**

**TOP SECRET**

economy probably would be considerably less than that required for the development of South Korean self-sufficiency, since planning for economic rehabilitation on a national basis could proceed along much more realistic lines than are possible for the predominantly agricultural economy of the south.

- 6 -

**TOP SECRET**

T O P S E C R E T

## STRAINS ON WESTERN UNITY

Atlantic Defense     It is clear from the recent Foreign Ministers meetings in New York that although the European countries welcomed in principle the strong US initiative and recognize the urgent need for bold action to strengthen the Western world, they are still reluctant to commit themselves firmly to the drastic measures necessary to achieve this goal. The NAT Council reached tentative agreement on a US proposal for a unified European defense force with a combined command and staff and strong economic organs. On the vital question of including German units in such a force, however, French reluctance forced postponement of a decision. All other European NAT countries were apparently willing to support the US proposal, which called only for agreement in principle so that planning could begin, but French Foreign Minister Schuman objected that France was not yet ready for such a drastic move. After a short recess to permit the ministers to consult their governments, the Council hopes to take final action on both key issues and it is expected that France, while seeking appropriate safeguards, will then approve. Meanwhile, conscious of their own military weakness, most of the continental countries except Italy preferred not to extend the geographical scope of NAT at this time, and thus agreed to invite Turkey (and Greece) to participate in NATO military planning for the defense of the Mediterranean rather than to consider them for full-fledged membership at this time. The concurrent meetings of the Big Three Foreign Ministers reached accord on a wide range of issues, particularly on the relaxation of Allied control in Germany, but still remained apart on a number of others. No real agreement was reached on: (1) centralized or laender control for the new German mobile police force; (2) a positive policy in Indochina; (3) a common policy toward Communist China; or (4) tightening controls over

- 7 -

T O P S E C R E T



T O P   S E C R E T

East-West trade. Moreover, despite their agreement to a general policy of removing occupation controls on Germany, the British and French are still reluctant to follow the US lead on a number of important details.

**Turkey and NAT**      Although the Turks will undoubtedly be gravely disappointed by the failure of their post-Korean campaign to gain admittance to the North Atlantic Treaty group, it is not likely that any lasting significant change in their official attitude toward the West will result. Internally, even if the opposition People's Republican Party attempts to capitalize on the NAT Council's refusal to consider Turkey's open bid for membership, the Council's agreement to the inclusion of Turkey (and Greece) in NATO military talks on defense of the Mediterranean, if properly publicized, will probably enable the government to emerge without a mortal blow to its prestige.

**West German Reaction**      West German reaction to the decisions of the Foreign Ministers Conference with respect to Germany will be generally favorable despite considerable disappointment in nationalist circles over the shelving of a German army and postponement of the decision to include German units in a Western defense force. Socialist leader Schumacher has sharply criticized the Allied communique as merely skimming over the surface of the German question and failing to come to grips with realities. There will be caviling from other quarters at the limited nature of the sovereignty restored to the Federal Republic and at the cautious approach to the problem of removing economic controls. Chancellor Adenauer, on the other hand, seems prepared to make the best of the situation, however short it may fall of his original expectations. Aided by

- 8 -

T O P   S E C R E T

**TOP SECRET**

the vagueness of the Foreign Ministers' communique, he will press ahead vigorously with negotiations for a relaxation of Allied restrictions in a variety of political and economic fields. The Chancellor has bitterly resented his position of inferiority in relation to the High Commission and may be expected to take a much stronger and less deferential stand in his future dealings with the occupation powers.

Insistence on German equality with other Western European powers may also increase friction with Germany's neighbors under the new arrangements envisaged in the Foreign Ministers' decision. If the Germans press ahead on all fronts, as will very likely be the case in view of the opportunities now extended to them, they will arouse alarm and resentment in France, and possibly elsewhere, that may hinder the attainment of common objectives in economic and military matters.

**Israeli-Arab Tension**      The current intensification of tension between the Arab states and Israel makes the possibility of a Palestine peace settlement even more remote. Jordan has complained to the Tripartite Declaration signatories, and, with the support of Iraq and Syria, to the UN Security Council over an alleged border violation by Israel. In the Jerusalem area, tension has grown because of rumors that Israel is planning to seize Mt. Scopus. Egypt has accused Israel of systematically expelling Arabs across the border, and Israel has made countercharges of Egyptian border violations and has also filed a protest with the UN against continued Egyptian restriction of Suez Canal traffic. The Security Council discussion of the Arab charges and the General Assembly debate on the refugees and on the internationalization of Jerusalem will doubtlessly increase the current tension.

- 9 -

**TOP SECRET**

**TOP SECRET**

**USSR-Iran** With respect to Iran, the Soviet Union appears to be accelerating its efforts to clear up outstanding problems, probably in order to assure the propaganda coup which would result if a settlement were reached before current negotiations for a \$25 million Export-Import Bank loan are concluded. The Soviet reply to Iran's proposals have led Premier Razmara to believe that an agreement on trade can probably be worked out in two or three weeks. Moreover, Soviet Ambassador Sadchikov has not only urged the immediate appointment of the Iranian members of the Soviet-proposed mixed frontier commission but has also stated that his government was prepared to take up at once Iran's claims regarding gold and other foreign exchange held by the USSR. (Razmara had previously indicated that he would not permit ratification of a trade accord until the gold question was settled.)

**South African Defense** In its defense discussions with the UK that begin in London on 25 September, the Union of South Africa will offer one armored division for service outside Africa in the event of Soviet aggression, but will make such stiff demands in return that no extensive agreement appears likely. One demand will be that all the equipment for the division be obtained from abroad. Another will be to make the South African military contribution not through bilateral arrangements with the UK but through a comprehensive alliance of all the African powers which, in the South African government view, would allow the Union to assert its leadership on the continent. This African Defense Pact, originally proposed by Prime Minister Malan in April 1949, would have definite ties with the Atlantic Pact and would also incorporate such aspects of South African racial views as opposition to Indian immigration and to the arming of native troops anywhere on the continent. The Pact would thus raise extremely serious difficulties for the UK in its colonial and Commonwealth relations. South Africa has also expressed a desire for similar defense talks with the US at an early date.

- 10 -

**TOP SECRET**

T O P S E C R E T

## ASIAN PROBLEMS

**Soviet Policy** Although the explosive Korean and Chinese issues have overshadowed all other recent Asian developments, the USSR during 1950 has been engaged in an intensive political and propaganda campaign designed to improve Soviet relations with Asian nations and strengthen popular support for the Communist movement. While in Indochina, the Philippines, and Malaya, where conditions were favorable, the USSR has lent encouragement to guerilla movements, elsewhere it has been cultivating the governments and peoples through a combination of cultural and diplomatic activity. Its most recent step in this direction-- the inclusion of the Foreign Ministers of the Kazakh and Uzbek Soviet Republics in the Soviet delegation to the GA--is intended to demonstrate to other Asians the autonomy granted Soviet minority peoples and to present the USSR as a non-colonialist, semi-Asiatic power, willing and able to assist backward nations to attain independence and industrialization. During 1950, the USSR has recognized Indonesia and Ho Chi Minh's regime in Indochina, has agreed to exchange ambassadors soon with Burma, and has dispatched the first Soviet Ambassador to Pakistan. Several Soviet cultural delegations have toured Asia and there has been an increase in the number of films, publications, and broadcasts reaching Southeast Asia. A special effort has been made to woo India, and recently the USSR has been pursuing a conciliatory policy toward Iran. Within the USSR, the greater attention being devoted to Asian matters is seen in the recent amalgamation of all oriental study groups into one "Institute of Oriental Science of the USSR Academy of Sciences" with its emphasis on "national liberation" struggles and the study of Eastern languages.

- 11 -

T O P S E C R E T

T O P S E C R E T

**India and China** India's current attempts to play the mediator's role between East and West, particularly in Asian matters, have had less effect on Chinese Communist behavior than India apparently thinks they have. India's present policy seems to be based on the supposition that India not only can exert a restraining influence over the Chinese Communists but, in fact, has already had some success in: (1) inducing Peiping to negotiate with Tibet and postpone the Taiwan invasion; (2) easing tension between the US and Communist China; and (3) preventing direct Chinese Communist intervention in Korea or Southeast Asia. In reality, however, Indian representations probably have had little or no influence on Chinese Communist policy. Regarding Tibet, it will cost the Communists nothing to avoid an expensive military venture and reach a peaceful agreement which can be subverted at leisure. In turn, the apparent postponement of the Taiwan operation is probably due to Peiping's lack of confidence in achieving easy military success there at present and its hope that US "neutralizing" forces will be withdrawn after settlement of the Korean conflict. There is no indication of an improvement in Chinese-American relations; Peiping still regards the US as its principal enemy. Finally, direct Chinese Communist military action outside China will occur only when international Communist strategy abandons its present reliance on local "liberation" forces. Meanwhile, Communist China plays an important role in the Soviet effort to neutralize India, a task made particularly easy and necessitating few concessions because of India's extremely conciliatory attitude toward Peiping.

**Struggle for Labor** The East-West conflict in Asia is also being waged on the labor front, with both the World Federation of Trade Unions (WFTU) and the International Confederation of Free Trade Unions (ICFTU)

- 12 -

T O P S E C R E T

**TOP SECRET**

stepping up their efforts to control Asian workers. The WFTU is planning a two-day world boycott of US ships on 6-7 October in what may be the opening move in a long-range Soviet program for interfering with the shipment of US materiel to the Far East. Although the strike is not likely to be effective, it will serve to dramatize the WFTU's campaign protesting US participation in the Korean war. Meanwhile, the ICFTU has taken several steps to strengthen the non-Communist labor movement in the Far East, including a decision to establish a temporary regional ICFTU office in Singapore and to call a regional Asian labor conference in Karachi in May 1951.

- 13 -

**TOP SECRET**

**TOP SECRET****LOCAL DEVELOPMENTS****WEST GERMANY**

**Political Unity** Chancellor Adenauer's efforts to eliminate friction between the Federal Government and the moderate opposition parties may ultimately produce broadened parliamentary and public support for government policy on national issues. The Chancellor, who has recently consulted Social Democratic Party (SPD) Chairman Schumacher on several current issues and directed Christian Democratic Union (CDU) delegates to cooperate more closely with their SPD colleagues in the Bundestag legislative committees, is now reported to have established a seven-man supra-party committee to consult and advise on major policies. Schumacher's more positive recent public pronouncements concerning the government's stand on major issues are indicative of the success of Adenauer's new policy of conciliation. Chief among Adenauer's motives for these moves is probably the desire for a relatively united front in West Germany, both in relation to the Western occupation powers and against the German Communists. (In this connection, it should be noted that amendment of the Bonn Basic Law to permit German remilitarization in any form would require a two-thirds majority in the Bundestag, for which SPD participation would be essential.) In addition, Adenauer may hope by these moves to retain the initiative for CDU-SPD cooperation on the national level and to use the specter of a CDU-SPD alliance to intimidate the Free Democratic Party, which has recently shown signs of opposition to his leadership.

**TOP SECRET**

**TOP SECRET****FRANCE**

**Political Showdown** \* The rising discontent of French labor is likely to develop during the next few months into a threat to the Pleven Government and to its program for national defense. Although no sustained or serious strike campaign is at present anticipated, political dissension deriving from labor's demands, at a time when the government will encounter US pressure for the adoption of energetic defense policies, may result in a political crisis. Labor's long dissatisfaction at the failure of wages to keep up with the advancing cost of living has already been intensified by the recent abrupt upturn in retail prices and will sharpen at the prospect that the strain of rearmament will make it still more difficult to achieve a rise in the standard of living. Premier Pleven has refused to impose direct price controls, and the government will tend to block a general rise in wages because it fears the inflationary effect of such a trend. Under these circumstances, the Socialist Party, which recently has been willing to compromise on partisan issues in order to preserve the present middle-of-the-road government coalition, is likely to stiffen its advocacy of labor's cause. With elections to be expected within the next 14 months, the Socialists will spare no effort to attract the labor vote, and some members of the Popular Republican Movement may also defend labor interests within the Cabinet and in Parliament. In addition to specific demands concerning wages, the Socialists are likely to insist on safeguarding labor interests in such defense measures as new taxes, governmental economies, cuts in long-term investment, and deficit financing; business and farm interests, also well represented in the government coalition, will run counter to many of the Socialist demands. The Communist Party can be expected to concentrate on supporting labor's wage demands during the next few months, and some strike activity is probable, particularly in connection with the return to collective bargaining. Some of the regional non-Communist unions are already committed to joint action with locals of the Communist-led General Confederation of Labor.

- 15 -

**TOP SECRET**



~~TOP SECRET~~

## UNITED KINGDOM

**Steel Nationalization**    The major portion of the British iron and steel industry will pass into public ownership on 1 January 1951 or "as soon thereafter as practicable" -- unless in the meantime the government falls and is succeeded by a Conservative regime. This was affirmed by the recent Parliamentary vote in which the Conservative opposition unsuccessfully challenged the Labor Government's announced intention to implement the nationalization measure enacted by the previous Parliament. Whatever may be the long-range effects of this measure, the transfer of top-level control from private directors to the newly established public board and the reorganization of some parts of the industry will be accomplished without interference with mill operations, and no adverse effects upon the projected rearmament programs are expected.

~~TOP SECRET~~

~~TOP SECRET~~

Document No. 001

NO CHANGE in Class. ☐☒ DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 7/1/78 By: 023

## DISTRIBUTION

1. . . . . The President
- 2,3,4,5. . . . . Secretary of State
- 6,7,8. . . . . Secretary of Defense
9. . . . . Secretary of the Army
10. . . . . Secretary of the Navy
11. . . . . Secretary of the Air Force
12. . . . . Special Assistant to the President, W. A. Harriman
- 13,14,15. . . . . Chairman, National Security Resources Board
- 16,17. . . . . Executive Secretary to the National Security Council
18. . . . . Assistant Secretary of the Navy for Air
19. . . . . Chairman, Joint Chiefs of Staff
20. . . . . Secretary, Joint Chiefs of Staff
- 21,22. . . . . Chief of Staff, US Army
- 23,24,25. . . . . Chief of Naval Operations
- 26,27,28. . . . . Chief of Staff, US Air Force
29. . . . . Assistant Chief of Staff, G-3, Operations, US Army
30. . . . . Deputy Chief of Staff (Operations), US Air Force
31. . . . . Deputy Chief of Naval Operations (Operations)
32. . . . . Director of Plans and Operations, US Air Force
- 33,34,35. . . . . Special Assistant, Intelligence, Department of State
- 36,37,38,39,40,41,  
42,43,44,45. Assistant Chief of Staff, G-2, Intelligence, US Army
- 46,47,48,49,50,51,  
52,53,54,55,56,  
57,58,59,60. Director of Naval Intelligence
- 61,62,63,64,65,66,  
67,68,69. . . . . Director of Intelligence, Headquarters, US Air Force
70. . . . . Director of Intelligence, Atomic Energy Commission
71. . . . . Executive Secretary, Military Liaison Committee,  
Atomic Energy Commission
- 72,73,74,75,76,77,  
78,79,80,81,82,  
83,84,85. . . . . Chief, Acquisition and Distribution Div., OCD, State
86. . . . . ✓ Chief, Policy Planning Staff, Department of State
87. . . . . ✓ US Air Force Representative on Joint Strategic Survey  
Committee
88. . . . . Director, Federal Bureau of Investigation
89. . . . . ✓ Administrator, Economic Cooperation Administration
90. . . . . Deputy Director for Intelligence, The Joint Staff
- 91,92. . . . . Secretary, Joint Intelligence Group, Joint Staff
- 93,94,95. . . . . Director, Armed Forces Security Agency

~~TOP SECRET~~